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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 L-03 FRB-03
OMB-01 ITC-01 SP-02 USIA-06 AGRE-00 AID-05
CIAE-00 COME-00 INR-10 LAB-04 NSAE-00 OIC-02
SIL-01 STR-07 TRSE-00 CEA-01 SS-15 INT-05 GSA-02
AF-10 ARA-10 NEA-10 /142 W
----------060005 102017Z /47
R 101857Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6670
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY TOKYO
USMISSION GENEVA
AMEMBASSY BRUSSELS

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USEEC AND USOECD

E.O. 11652: N/A
TAGS: ETRD, UNCTAD, EMIN
SUBJ: COMMODITY CONSULTATIONS: NATURAL RUBBER,
COPPER, AND TUNGSTEN

REF: (A) STATE 58403, (B) BONN 3338

1. ALLAN WENDT AND EMBOFF DISCUSSED SUBJECTS LISTED IN REF (A) WITH FRAU STEEG AND DR. KIPPER IN THE ECONOMICS MINISTRY ON MARCH 8. DISCUSSION SUMMARIZED AS FOLLOWS:

2. NATURAL RUBBER: BASIC FRG POSITION ON RUBBER AND QUESTIONS ABOUT US THINKING CONTAINED IN REF (B). FRG CLEARLY FAVORS, AS ALWAYS, CLOSE COORDINATION AMONG
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CONSUMERS. THEY PARTICULARLY WELCOMED VISIT BY MR. WENDT AND ENCOURAGED FURTHER VISITS TO DISCUSS NORTH/SOUTH AND COMMODITY ISSUES AS OFTEN AS POSSIBLE.

3. ON QUESTION OF UNCTAD SECRETARIAT INVOLVEMENT IN NEGOTIATION (DRAFTING) PROCESS FOR NATURAL RUBBER, WENDT EXPLAINED US CONCERN ABOUT SUBSTANTIVE ROLE

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FOR SECRETARIAT IN LIGHT OF ITS PAST POOR RECORD.
KIPPER AGREED AND EXPLAINED THAT EC HAD SUGGESTED
SECRETARIAT ACTIVITY AS A MEANS OF HELPING DELAY ACTION
ON PRODUCER COUNTRY DRAFT PROPOSAL SINCE IT WAS
ASSUMED CONSUMER COUNTRY DRAFT MIGHT NOT BE READY FOR
SOME TIME. FACT THAT US EXPECTS TO HAVE A DRAFT
PROPOSAL BY JUNE MEETING MAY TEND TO ALLEVIATE EC AND
GERMAN CONCERN.

4. ON QUESTION OF A PURE BUFFER STOCK WITHOUT EXPORT
CONTROLS, KIPPER WAS NOT CONVINCED THAT THIS TYPE OF
ARRANGEMENT COULD REALLY WORK. HE FELT A PACKAGE OF
INSTRUMENTS TO PROMOTE PRICE STABILIZATION WAS REALLY
NEEDED. HE BELIEVED A BUFFER STOCK, IN THE ABSENCE
OF OTHER CONTROLS, COULD ACT LIKE A MAGNET TO SOAK
UP STOCKS TO THE POINT THAT THE RUBBER STOCKPILE
WOULD BECOME HUGE AND WOULD OVERHANG THE MARKET.

5. ON STIMULATION OF INVESTMENT, KIPPER DID NOT SEE
THAT MUCH MORE COULD BE DONE IN A POSITIVE WAY TO
ENCOURAGE INVESTMENT IN RUBBER; HE BELIEVED RATHER
THAT EFFORTS SHOULD BE MADE TO ELIMINATE THE PRESENT
DISINCENTIVES TO INVEST, SUCH AS HIGH TAXES AND
RESTRICTIVE LICENSING IN PRODUCING COUNTRIES. IF THE
PRODUCERS COULD BE PERSUADED TO TAKE CORRECTIVE ACTION,
THIS WOULD RE-ESTABLISH SUFFICIENT INCENTIVES TO
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PROMOTE GROWTH IN PRODUCTION. PARENTHETICALLY, HE
SAID HE DID NOT SHARE THE VIEW THAT THERE WOULD BE A
NET SHORTAGE OF NATURAL RUBBER BY THE 1980'S; GERMAN
ANALYSIS, IN FACT, COMES TO THE OPPOSITE
CONCLUSION.

6. COPPER: KIPPER AND FRAU STEEG SAID THAT IT WOULD
BE VERY DIFFICULT TO DEVISE A SATISFACTORY AND VIABLE
COPPER AGREEMENT. BOTH SAID THERE WERE GRAVE DOUBTS
ABOUT SUCH AN AGREEMENT ON THE PART OF THE FRG, AND
THERE WAS DOWNRIGHT OPPOSITION TO IT AS WELL ON THE
PART OF GERMAN INDUSTRY. THE FRG DOES GO ALONG WITH
THE IDEA OF A PRODUCER/CONSUMER FORUM, BUT CONSIDERABLE
WORK STILL NEEDS TO BE DONE ON THE SPECIFICS. THEY
WERE CONVINCED, HOWEVER, THAT THE FORUM SHOULD BE
DIVORCED AS MUCH AS POSSIBLE FROM UNCTAD. THE FRG
WOULD BE WILLING TO PROVIDE ITS SHARE OF ADMINISTRA-
TIVE COSTS FOR THE FORUM. ON VOTING, THE FRG HAS NO
CLEAR IDEA AS YET ON WHAT TYPE OF VOTING PROCEDURES
SHOULD BE DEVISED, BUT KIPPER EXPRESSED HOPE THAT THE
FORUM COULD BE CONSTITUTED TO AVOID QUESTIONS WHICH
REQUIRED RECOMMENDATIONS AND VOTING AS MUCH AS POSSIBLE.

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7. KIPPER WAS AWARE OF THE ESCAPE CLAUSE ACTION ON COPPER, BUT HAD NO REACTION. THE USG PROPOSAL TO PURCHASE COPPER FOR THE GSA STOCKPILE, WAS NEWS TO

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BOTH STEEG AND KIPPER. THEY INDICATED TENTATIVELY THAT THEY WOULD NOT EXPECT GSA STOCKPILE OPERATIONS ON THIS TO AFFECT THE WORLD COPPER MARKET SIGNIFICANTLY; THEY ALSO INDICATED THAT WHILE THE FRG HAD BEEN TALKING OFF-AND-ON FOR SOME YEARS ABOUT THE POSSIBILITY OF STOCKPILING, NOTHING HAD COME OF IT, AND IT WOULD BE HIGHLY UNLIKELY FOR THIS TO CHANGE. AMONG OTHER REASONS, GERMAN INDUSTRY OPPOSES THE IDEA AND BELIEVES ITSELF TO HAVE GOOD ACCESS TO SUPPLY POSITION BECAUSE OF A NUMBER OF LONG TERM CONTRACTUAL ARRANGE-MENTS, PARTICULARLY WITH POLAND AND ZAMBIA, ON COPPER.

8. TUNGSTEN: KIPPER SAID THE FRG WAS SOLIDLY BEHIND EFFORTS TO RESIST ANY COMMODITY AGREEMENT FOR TUNGSTEN

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AND WAS WILLING TO MAKE A DEMARCHE TOGETHER WITH THE
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US AND OTHER CONSUMERS TO THE UNCTAD SECRETARY
GENERAL ALONG THE LINES SUGGESTED IN REF (A).

9. IN CLOSING, KIPPER NOTED THAT IN THE NEXT FEW
WEEKS, BECAUSE OF THE INCREASED WORKLOAD, A NEW SECTION
WOULD BE ORGANIZED WITHIN THE MINISTRY OF ECONOMICS
TO DEAL WITH INDIVIDUAL COMMODITY ISSUES. SOME OF
DR. KIPPER'S STAFF WILL MOVE TO THE NEW SECTION, WHICH
IS TO BE HEADED BY A DR. STIEPEL. KIPPER WILL
REMAIN IN CHARGE OF OVERALL COMMODITY POLICY, INCLUDING
THE COMMON FUND. HE EXPRESSED ONCE AGAIN, HIS
APPRECIATION FOR THE CLOSE COORDINATION WE HAVE HAD
ON COMMODITY ISSUES. HE ESPECIALLY WELCOMED THE IDEA
OF OCCASIONAL VISITS, WHERE PROBLEMS COULD BE DISCUSSED
AT LENGTH, AND HOPED SUCH VISITS WOULD BE CONTINUED.
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